

**CENTRAL WEBER SEWER DISTRICT  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED DECEMBER 31, 2006**

## CENTRAL WEBER SEWER DISTRICT

### TABLE OF CONTENTS

#### **BASIC FINANCIAL STATEMENTS:**

Independent Auditors' Report.....	1-2
Management's Discussion & Analysis .....	3-9
Statement of Net Assets – Proprietary Funds.....	10-11
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	12-13
Statement of Cash Flows – Proprietary Funds .....	14-15
Notes to Financial Statements .....	16-25

#### **SUPPLEMENTARY INFORMATION:**

Schedule of Impact Fees .....	26
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#### **AUDITORS' REPORTS:**

Independent Auditors' Report on State Legal Compliance.....	27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standard</i> .....	28-29
Schedule of Findings.....	30

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Central Weber Sewer District

We have audited the accompanying financial statements of the business-type activities of Central Weber Sewer District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Central Weber Sewer District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central Weber Sewer District, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, on our consideration of Central Weber Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees  
Central Weber Sewer District

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wood, Richards & Associates*

Ogden, Utah  
June 5, 2007

# CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ending December 31, 2006

### Introduction

The purpose of this document is to discuss and analyze the financial performance and activities of Central Weber Sewer Improvement District for the year ended December, 31, 2006. Beginning January 1, 2004 the District implemented the new financial reporting standards established by Governmental Accounting Standard's Board Statement 34.

The District provides sewer treatment service for approximately 168,000 people located in Weber and Davis Counties. The cities of Farr West, Harrisville, North Ogden, Ogden, Pleasant View, Riverdale, South Ogden, South Weber, Washington Terrace and West Haven are fully serviced by the District, along with Uintah Highlands Special Service District. Parts of Hooper, Marriott-Slaterville, Plain City, Roy and Unincorporated Weber County are also serviced by the District.

The District currently has approximately 35 miles of outfall sewer lines. During 2006 the District averaged 36,900,000 gallons of water treated per day. This is a decrease from 2005. The average per day during 2005 was 37,300,000 gallons.

### Overview of the Financial Statements

Central Weber Sewer Improvement District has one Proprietary Fund known as an Enterprise Fund. An Enterprise Fund may be used to report any activity for which a fee is charged to external users for goods or services. An Enterprise Fund is used to report the financial information of business-type activities provided by government.

Financial activity for the year will be presented using several required financial statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows.

### Highlights

The District nearly completed the Riverdale Outlet Replacement. The project will be in full service during the spring of 2007. The District also started planning for a new Activated Sludge Plant to parallel the existing plant. Nearly a million dollars was spent working on the preliminary design.

## **Financial Analysis of the District**

### ***Capital Assets***

The District spent \$4,498,362.98 on Capital Projects and equipment during 2006. Of this total, \$4,307,580.28 was spent on Construction in Progress. Only \$190,782.70 of projects and purchased equipment were completed this year. Equipment purchased included a 2006 Ford Pickup, 60 KW generator and a new photo copier. The rest of the money spent was for minor constructions projects. Assets with a net book value of \$55,623.27 were deleted from the capital assets.

Annual Depreciation for the year was \$1,565,602.47.

Listed below is a summary of the Capital Assets as of December 31, 2006.

Capital Assets				
Net of Depreciation				
	2006	2005	Increase (Decrease)	% Change
Land	\$ 888,083.75	\$ 888,083.75	\$ 0.00	0.00%
Building & Structure	12,784,767.22	13,109,127.31	(324,360.09)	-2.47%
Treatment Facilities	10,190,543.51	10,820,307.23	(629,763.72)	-5.82%
Outfall Lines	14,753,600.49	15,093,289.65	(339,689.16)	-2.25%
Equipment	323,795.21	421,195.64	(97,400.43)	-23.12%
Vehicles	133,302.16	172,531.80	(39,229.64)	-22.74%
Construction in Progress	5,285,546.34	977,966.06	4,307,580.28	440.46%
Total Assets	<u>\$ 44,359,638.68</u>	<u>\$ 41,482,501.44</u>	<u>\$ 2,877,137.24</u>	<u>6.94%</u>
New Assets	\$ 4,442,739.71			
Depreciation	(1,565,602.47)			
Net Change	<u>\$ 2,877,137.24</u>			

## **Debt**

At year end the District had \$9,666,254.07 of outstanding debt. This represents a decrease of \$158,283.51 from 2005.

Outstanding Debt at Year End				
	2006	2005	Increase (Decrease)	% Change
Note Payable - Ogden City	\$ 0.00	\$ 21,000.00	\$ (21,000.00)	-100.00%
Bond Payable - DWQ	9,530,000.00	9,680,000.00	(150,000.00)	-1.55%
Accrued-Compensated Absences	136,254.07	123,537.58	12,716.49	10.29%
Total	\$ 9,666,254.07	\$ 9,824,537.58	\$ (158,283.51)	-1.61%

The District entered into an agreement with Ogden City to purchase the Wall Avenue Sewer Outfall Line on January 27, 1986. The original sum of the note payable was \$105,000.00. The District paid the final \$21,000.00 to Ogden City during 2006.

On February 13, 2001, the Board of Trustees entered into an agreement with the Division of Water Quality, authorizing the issuance and sale of non-interest bearing, sewer revenue bonds. The amount of the issuance was \$10,180,000.00. A payment of \$150,000.00 was made during the 2006 budget year.

Accrued-Compensated Absences represents the total obligation of the District to employees for accrued leave time as of December 31, 2006. This balance had a increase of \$12,716.49 during the year.

## **Net Assets**

A summary of the Net Assets is listed below. The summary lists the balances for 2005 and 2006. It includes a column showing the increase or decrease between the two years.

Net Assets				
	2006	2005	Increase (Decrease)	% Change
Current & Other Assets	\$ 11,620,121.25	\$ 11,074,037.59	\$ 546,083.66	4.93%
Noncurrent Restricted	\$ 390,195.54	\$ 317,292.13	72,903.41	22.98%
Capital Assets	44,359,638.68	41,482,501.44	2,877,137.24	6.94%
<b>Total Assets</b>	<b>\$ 56,369,955.47</b>	<b>\$ 52,873,831.16</b>	<b>\$ 3,496,124.31</b>	<b>6.61%</b>
Long-Term Liabilities	\$ 9,506,254.07	\$ 9,670,537.58	\$ (164,283.51)	-1.70%
Other Liabilities	1,172,040.38	369,378.19	802,662.19	217.30%
<b>Total Liabilities</b>	<b>\$ 10,678,294.45</b>	<b>\$ 10,039,915.77</b>	<b>\$ 638,378.68</b>	<b>6.36%</b>
<b>Net Assets</b>				
Invested in Capital				
Net of Related Debt	\$ 34,829,638.68	\$ 31,781,501.44	\$ 3,048,137.24	9.59%
Restricted	390,195.54	254,843.42	135,352.12	53.11%
Unrestricted	10,471,826.80	10,797,570.53	(325,743.73)	-3.02%
<b>Total Net Assets</b>	<b>\$ 45,691,661.02</b>	<b>\$ 42,833,915.39</b>	<b>\$ 2,857,745.63</b>	<b>6.67%</b>

The Statement of Net Assets (Balance Sheet) is the basic statement of position for all the District's permanent accounts, such as assets, liabilities and equity.

During 2006 total assets increased by \$3,496,124.31. Cash increased by \$569,084.14 and capital assets, net of depreciation, increased by \$2,877,137.24.

Total liabilities increased by \$638,378.68. Major changes were an increase in accounts payable of \$793,007.25 and a reduction in the bond payable to the Division of Water Quality of \$160,000.00.



## ***Change in Net Assets***

This report compares revenues and expenses between 2005 and 2006 calendar years. The report concludes by showing the increase or decrease in net assets.

Change in Net Assets				
	2006	2005 (Memo Only)	Increase (Decrease)	% Change
<u>Revenues</u>				
Charges for Services	\$ 3,080,784.16	\$ 2,962,234.37	\$ 118,549.79	4.00%
Property Tax & Vehicle	3,669,453.16	3,524,889.52	144,563.64	4.10%
Sewer Impact Fees	798,318.00	661,650.00	136,668.00	20.66%
Interest Earnings	577,816.56	309,857.47	267,959.09	86.48%
Rentals	34,096.99	39,740.11	(5,643.12)	-14.20%
Miscellaneous	160,960.59	4,276.04	156,684.55	3664.20%
<b>Total Revenues</b>	<b>\$ 8,321,429.46</b>	<b>\$ 7,502,647.51</b>	<b>\$ 818,781.95</b>	<b>10.91%</b>
<u>Expenses</u>				
Payroll & Benefits	\$ 2,196,109.82	\$ 2,089,094.96	\$ 107,014.86	5.12%
Utilities & Services	763,197.57	656,821.27	106,376.30	16.20%
Depreciation	1,565,602.47	1,592,835.97	(27,233.50)	-1.71%
Operations/Maintenance	774,598.88	765,591.53	9,007.35	1.18%
Pretreatment	164,175.09	158,650.03	5,525.06	3.48%
<b>Total Expenses</b>	<b>\$ 5,463,683.83</b>	<b>\$ 5,262,993.76</b>	<b>\$ 200,690.07</b>	<b>7.42%</b>
<b>Increase in Net Assets</b>	<b>\$ 2,857,745.63</b>	<b>\$ 2,239,653.75</b>	<b>\$ 618,091.88</b>	<b>25.81%</b>
Net Assets-Beginning of	42,833,915.39	40,594,261.64	2,239,653.75	4.59%
<b>Net Assets-End of Year</b>	<b>\$ 45,691,661.02</b>	<b>\$ 42,833,915.39</b>	<b>\$ 2,857,745.63</b>	<b>5.52%</b>

Total operating revenues increased by \$263,113.43 during 2006. Major increases were property taxes, \$144,563.64 and treatment fees charged to the cities, \$45,556.00. Both of these increases were the result of growth. Surcharges increased by \$29,063.39. This is the result of industries exceeding their permit limits for discharge into the sewer system.

Non operating revenues increased by \$555,668.52. Sewer impact fees increased by \$136,668.00. This was in direct relationship to growth and development.

Interest revenue increased by \$267,959.09. Most of this increase was due to higher interest rates.

Operating expenses increased by \$200,690.07 in total. Four of the departments increased from one year ago.

Payroll and Benefits increased by \$107,014.86. All employees received a 2.4% cost of living increase. Some employees also received a step increase. Health insurance rates continued to increase.

Utilities and Services experienced an increase of \$106,376.30. Rates on utilities increased during the year, plus the digester cover was damaged. The digester cover stores the methane gas for use in the generator. Without storage, the plant relied on natural gas from Questar to run the generator.

The change in net assets for 2006 was an increase of \$2,857,745.63. This increase will provide additional funding for capital assets projected for future years.

### **Economic Factors and Next Year's Budget**

Housing and business growth should continue for the District at about the same pace as recent years. Hooper City will continue to add portions of their city to the District's collection system in the coming year.

The District will continue to design and build a Activated Sludge Plant. The estimated cost for this project is \$141,000,000. This project should be completed in 2011. This project will greatly enlarge the capacity of the plant. It will also require the District to look for methods to finance such a large project.

### **Request for Information**

The financial report is designed to provide taxpayers, customers, creditors and management with a general overview of the District's finances and to show the District's accountability for money received. If you have any questions about the report or need additional financial information, please contact:

Central Weber Sewer Improvement District  
Attention: John Cardon  
2618 W. Pioneer Road  
Marriott-Slaterville, UT 84404

Central Weber Sewer Improvement District  
Statement of Net Assets  
Proprietary Fund  
Year Ended December 31, 2006

	2006	2005 (Memo Only)	Increase (Decrease)	% Change
<b>ASSETS</b>				
Current Assets:				
Checking - Bank of Utah	\$ 192,817.39	\$ 98,382.73	\$ 94,434.66	95.99%
Public Treasurers' Investment Fund	11,206,287.90	10,731,638.42	474,649.48	4.42%
Petty Cash	200.00	200.00	-	0.00%
Owner's Escrow - House Rental	278.23	278.23	-	0.00%
Accounts Receivable	210,819.73	206,443.92	4,375.81	2.12%
Prepaid Expenses	9,718.00	37,094.29	(27,376.29)	-73.80%
Total Current Assets	\$ 11,620,121.25	\$ 11,074,037.59	\$ 546,083.66	4.93%
Noncurrent Assets:				
Restricted Cash-Larsen Retainage	\$ -	\$ 62,448.71	\$ (62,448.71)	-100.00%
Restricted Cash-Water Reuse	72,075.54	347.42	71,728.12	20645.94%
Restricted Cash-Bond Reserves	318,120.00	254,496.00	63,624.00	25.00%
Capital Assets	66,494,357.57	62,132,948.19	4,361,409.38	7.02%
Less: Accumulated Depreciation	(22,134,718.89)	(20,650,446.75)	(1,484,272.14)	7.19%
Total Noncurrent Assets	\$ 44,749,834.22	\$ 41,799,793.57	\$ 2,950,040.65	7.06%
Total Assets	\$ 56,369,955.47	\$ 52,873,831.16	\$ 3,496,124.31	6.61%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District  
Statement of Net Assets  
Proprietary Fund  
Year Ended December 31, 2006

	2006	2005 (Memo Only)	Increase (Decrease)	% Change
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable - General	\$ 945,256.93	\$ 152,249.68	\$ 793,007.25	520.86%
Employee Committee	228.69	679.80	(451.11)	-66.36%
Retainage Payable - Larsen	-	62,448.71	(62,448.71)	-100.00%
Deferred Revenue	66,554.76	-	66,554.76	
Current Portion Long Term Debt	160,000.00	154,000.00	6,000.00	3.90%
Total Current Liabilities	\$ 1,172,040.38	\$ 369,378.19	\$ 802,662.19	217.30%
Noncurrent Liabilities:				
Accrued - Compensated Absences	\$ 136,254.07	\$ 123,537.58	\$ 12,716.49	10.29%
Note Payable - Ogden City	-	17,000.00	(17,000.00)	-100.00%
Bonds Payable - DWQ	9,370,000.00	9,530,000.00	(160,000.00)	-1.68%
Total Noncurrent Liabilities	\$ 9,506,254.07	\$ 9,670,537.58	\$ (164,283.51)	-1.70%
Total Liabilities	\$ 10,678,294.45	\$ 10,039,915.77	\$ 638,378.68	6.36%
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	\$ 34,829,638.68	\$ 31,781,501.44	\$ 3,048,137.24	9.59%
Restricted for Water Reuse	72,075.54	347.42	71,728.12	20645.94%
Restricted for Bond Reserves	318,120.00	254,496.00	63,624.00	25.00%
Unrestricted	10,471,826.80	10,797,570.53	(325,743.73)	-3.02%
Total Net Assets	\$ 45,691,661.02	\$ 42,833,915.39	\$ 2,857,745.63	6.67%

The notes to the financial statements are an integral part of this statement.

**Central Weber Sewer Improvement District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended December 31, 2006**

	2006	2005 (Memo Only)	Increase (Decrease)	% Change
<b><u>Revenues</u></b>				
Property Taxes	\$ 3,129,016.16	\$ 3,013,121.32	\$ 115,894.84	3.85%
Redemptions	136,216.00	129,679.10	6,536.90	5.04%
Fee in Lieu - Vehicles	404,221.00	382,089.10	22,131.90	5.79%
Treatment Fees - Cities	2,496,992.00	2,449,436.00	47,556.00	1.94%
Treatment Fees - District	99,080.15	89,610.00	9,470.15	10.57%
Treatment Fees - Bona Vista	55,799.77	59,777.52	(3,977.75)	-6.65%
Treatment Fees-Septic Hauler	73,338.38	65,573.06	7,765.32	11.84%
Treatment Fees - Surcharges	162,302.00	133,238.61	29,063.39	21.81%
Lagoon Management	12,020.86	8,800.18	3,220.68	36.60%
Pretreatment Fees - Cities	134,617.00	121,104.00	13,513.00	11.16%
Pretreatment Fees - Inspection	46,634.00	34,695.00	11,939.00	34.41%
Total Operating Revenues	\$ 6,750,237.32	\$ 6,487,123.89	\$ 263,113.43	4.06%
<b><u>Expenses</u></b>				
Payroll & Benefits	\$ 2,196,109.82	\$ 2,089,094.96	\$ 107,014.86	5.12%
Utilities & Services	763,197.57	656,821.27	106,376.30	16.20%
Depreciation	1,565,602.47	1,592,835.97	(27,233.50)	-1.71%
Operation & Maintenance	774,598.88	765,591.53	9,007.35	1.18%
Pretreatment	164,175.09	158,650.03	5,525.06	3.48%
Total Operating Expenses	\$ 5,463,683.83	\$ 5,262,993.76	\$ 200,690.07	3.81%
Net Operating Income	\$ 1,286,553.49	\$ 1,224,130.13	\$ 62,423.36	5.10%
<b><u>Non-Operating Revenue</u></b>				
Sewer Impact Fees	\$ 798,318.00	\$ 661,650.00	\$ 136,668.00	20.66%
Interest Revenue	577,816.56	309,857.47	267,959.09	86.48%
House Rental	31,091.99	35,589.11	(4,497.12)	-12.64%
Property Rental	3,005.00	4,151.00	(1,146.00)	-27.61%
Sale of Assets	(35,623.27)	-	(35,623.27)	
Miscellaneous	196,583.86	4,276.04	192,307.82	4497.33%
Total Non-Operating Revenue	\$ 1,571,192.14	\$ 1,015,523.62	\$ 555,668.52	54.72%

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund  
Year Ended December 31, 2006

	2006	2005 (Memo Only)	Increase (Decrease)	% Change
Change in Net Assets	\$ 2,857,745.63	\$ 2,239,653.75	\$ 618,091.88	27.60%
Net Assets-Beginning of Year	42,833,915.39	40,594,261.64	2,239,653.75	5.52%
Net Assets-End of Year	<u>\$ 45,691,661.02</u>	<u>\$ 42,833,915.39</u>	<u>\$ 2,857,745.63</u>	<u>6.67%</u>

The notes to the financial statements are an integral part of this statement.

Central Weber Sewer Improvement District  
Statement of Cash Flows  
Proprietary Fund  
Year Ended December 31, 2006

	Year	
	2006	2005 (Memo Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from intergovernmental revenue - property taxes	\$ 3,737,670.70	\$ 3,462,193.86
Receipts from customers and users	3,074,745.57	2,984,260.80
Payments to employees	(2,304,927.16)	(2,217,251.06)
Payments to suppliers	(1,662,675.74)	(1,572,702.53)
Net cash provided (used) by operating activities	\$ 2,844,813.37	\$ 2,656,501.07
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Other non-operating income	\$ 196,583.86	\$ 4,276.04
Sale of Capital Assets	20,000.00	
Impact fees	798,318.00	661,650.00
Purchases of capital assets	(78,834.08)	(23,389.43)
Acquisition and construction of capital assets	(3,579,807.15)	(2,204,099.22)
Principal paid on capital debt	(171,000.00)	(144,000.00)
Net cash provided (used) by capital and related financing activities	\$ (2,814,739.37)	\$ (1,705,562.61)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Rental Income	\$ 34,096.99	\$ 39,740.11
Interest and dividends	577,816.56	309,857.47
Net cash provided (used) by investing activities	\$ 611,913.55	\$ 349,597.58
Net increase (decrease) in cash and cash equivalents	\$ 641,987.55	\$ 1,300,536.04
Balances - Beginning of the year	11,147,791.51	9,847,255.47
Balances - End of the year	\$ 11,789,779.06	\$ 11,147,791.51
Cash, including time deposits	\$ 11,399,583.52	\$ 10,830,499.38
Restricted cash, including time deposits	390,195.54	317,292.13
Total cash and cash equivalents, end of year	\$ 11,789,779.06	\$ 11,147,791.51

The notes to the financial statements are an integral part of this statement.



Central Weber Sewer Improvement District  
Statement of Cash Flows  
Proprietary Fund  
Year Ended December 31, 2006

	Year	
	2006	2005 (Memo Only)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED		
(USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,286,553.49	\$ 1,224,130.13
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 1,565,602.47	\$ 1,592,835.97
Bad Debt expense	-	28,832.77
(Increase) decrease in prepaid expenses	27,376.29	(659.60)
(Increase) decrease in accounts receivable	(72,593.35)	22,026.43
(Increase) decrease in intergovernmental receivables	68,217.54	(62,695.66)
Increase (decrease) in accounts payable	(46,714.50)	(163,601.18)
Increase (decrease) in retainage payable	(62,448.71)	2,027.63
Increase (decrease) in compensated absences payable	12,716.49	13,235.32
Increase (decrease) in employee committee payable	(451.11)	369.26
Increase (decrease) in deferred revenue	66,554.76	-
Total Adjustments	\$ 1,558,259.88	\$ 1,432,370.94
Net cash provided by operating activities	\$ 2,844,813.37	\$ 2,656,501.07

The notes to the financial statements are an integral part of this statement.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Central Weber Sewer Improvement District, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

The Central Weber Sewer Improvement District is a special district organized for the purpose of providing sewage treatment services to Weber and Davis County cities. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

**B. Fund Financial Statements**

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

**Sewer Fund -** The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

**D. Assets, Liabilities, and Fund Balances/Net Assets**

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Pooled Cash and Temporary Investments***

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

***Inventories***

No significant inventories are maintained by the District, therefore none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the statement of net assets because their use is limited.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)**

***Capital Assets***

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-15 years
Improvements	10-50 years	Infrastructure	25-40 years

***Long-term Obligations***

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

***Net Assets/Fund Balances***

The difference between assets and liabilities is *net assets* on the fund financial statements. The District's net assets are classified as follows:

*Invested in capital assets, net of related debt* - This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted for bond reserves* - This component of net assets consists of that portion of the net assets that is restricted for revenue bonds outstanding.

*Restricted for water reuse* - This component of net assets consists of that portion of net assets that is set aside for the specified purpose.

*Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**E. Revenues and Expenditures**

The following are the District's significant policies related to recognition and reporting of certain revenues, and expenditures.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues and Expenditures (Continued)**

***Revenue Availability***

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the District has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2006.

***Expenditure Recognition***

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

**F. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**G. Compensated Absences**

District policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the proprietary financial statements.

**H. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation. The columns are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis.

**I. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Receivables**

Receivables include amounts due from customers primarily for services. These receivables are due within one month of billing. No allowance for doubtful accounts has been recorded since the District considers all accounts to be collectible. When an amount is deemed to be uncollectible, the receivable will be written off at that time.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The District's deposits are carried at cost.

At December 31, 2006, the carrying amount of the District's deposits was \$193,296 and the bank balance was \$429,747. Of the bank balance, \$100,000 was covered by federal depository insurance.

**B. Investments**

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 11,596,483	\$ 11,596,564

**C. Summary**

	Carrying Amount
Deposits	\$ 193,296
Investment in Utah Public Treasurer's Investment Fund	11,596,483
<b>Total deposits and investments</b>	<b>\$11,789,779</b>
Equity in pooled cash and investments	\$11,399,583
Restricted cash - debt retirement	318,120
Restricted cash - water reuse	72,076
<b>Total deposits and investments</b>	<b>\$11,789,779</b>

**Deposit and Investment Risk Disclosure.** Deposits and investments for Central Weber Sewer Improvement District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

**Deposits.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2006, were \$429,747, of which \$100,000 was insured under federal depository insurance.

*Credit risk.* Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2006, the local government had investments of \$11,596,483 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2006, was as follows:

	Balance December 31, 2005	Additions	(Deletions)	Balance December 31, 2006
<b>BUSINESS-TYPE ACTIVITIES</b>				
Nondepreciated Assets				
Land	\$ 888,084	\$ -	\$ -	\$ 888,084
Construction in progress	977,966	4,307,580	-	5,285,546
Total nondepreciated assets	<u>1,866,050</u>	<u>4,307,580</u>	<u>-</u>	<u>6,173,630</u>
Depreciated Assets				
Buildings and structures	16,339,352	35,734	-	16,375,086
Treatment facilities	21,412,447	-	-	21,412,447
Outfall lines	20,639,410	76,215	-	20,715,625
Equipment	978,753	53,567	(136,954)	895,366
Vehicles	896,937	25,267	-	922,204
Total depreciated assets	<u>60,266,899</u>	<u>190,783</u>	<u>(136,954)</u>	<u>60,320,728</u>
Less accumulated depreciation				
Buildings and structures	(3,230,225)	(360,094)	-	(3,590,319)
Treatment facilities	(10,592,140)	(629,764)	-	(11,221,904)
Outfall lines	(5,546,120)	(415,904)	-	(5,962,024)
Equipment	(557,557)	(95,344)	81,330	(571,571)
Vehicles	(724,405)	(64,497)	-	(788,902)
Total accumulated depreciation	<u>(20,650,447)</u>	<u>(1,565,603)</u>	<u>81,330</u>	<u>(22,134,720)</u>
Net assets depreciated	<u>39,616,452</u>	<u>(1,374,820)</u>	<u>(55,624)</u>	<u>38,186,008</u>
Business type activities - net	<u>\$ 41,482,502</u>	<u>\$ 2,932,760</u>	<u>\$ (55,624)</u>	<u>\$ 44,359,638</u>
<b>Depreciation Expense</b>				
December 31, 2006		<u>\$ 1,565,603</u>		



CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006

**NOTE 4 - LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2006, was as follows:

Description	Interest Rate	Outstanding 12/31/2005	Additions	Payments	Outstanding 12/31/2006	Current Portion
Series 2000 \$10,180,000						
Taxable sewer revenue bonds	NONE	\$ 9,680,000	\$ -	\$ 150,000	\$ 9,530,000	\$ 160,000
Note payable - Ogden City	NONE	21,000	-	21,000	-	-
Compensated absences	NONE	123,538	12,716	-	136,254	-
Total Long Term Debt		<u>\$ 9,824,538</u>	<u>\$ 12,716</u>	<u>\$ 171,000</u>	<u>\$ 9,666,254</u>	<u>\$ 160,000</u>

**Bond Resolution**

Series 2000 Sewer Revenue Bonds - On February 13, 2001, the District Trustees by resolution 2000-1, entered into an agreement authorizing the issuance and confirming the sale of non-interest-bearing, taxable sewer revenue bonds, Series 2000, of Central Weber Sewer Improvement District, Weber County, Utah, in an amount not to exceed \$10,180,000. The purpose of the bond issue is defraying a portion of the cost of constructing sewage collection and treatment facilities and related improvements. As of December 31, 2006, \$10,180,000 has been issued and \$9,530,000 is outstanding. The annual requirements to amortize this debt is as follows:

December 31,	Principal	Total
2007	\$ 160,000	\$ 160,000
2008	170,000	170,000
2009	180,000	180,000
2010	190,000	190,000
2011-2015	1,070,000	1,070,000
2016-2020	1,100,000	1,100,000
2021-2025	1,100,000	1,100,000
2026-2030	1,100,000	1,100,000
2031-2035	1,100,000	1,100,000
2036-2040	3,360,000	3,360,000
	<u>\$ 9,530,000</u>	<u>\$ 9,530,000</u>

**Note Payable - Ogden City**--On January 27, 1986, the Central Weber Sewer Improvement District entered into an agreement with Ogden City to purchase two sewer lines; the Wall Avenue and DDO outfall lines.

The District agreed to pay Ogden City the sum of \$105,000 payable in annual installments of \$4,000 beginning in 1986 and continuing until the year 2011. The note is non-interest bearing. The balance at December 31, 2005, was \$21,000 and was paid in full during 2006.

**Compensated Absences** - This amount represents the accumulated unpaid vacation and compensatory time which would be paid if employees had terminated employment at December 31, 2006. The balance in this account at December 31, 2006, was \$136,254.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**NOTE 5 - BOND RESOLUTION COMPLIANCE - SERIES 2000 SEWER REVENUE BONDS**

The Series 2000 Sewer Revenue Bonds issuance provides for the establishment of the following funds:

- 1) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve one-twelfth (1/12) of the annual principal payment due on the sewer revenue bond. This Bond Account will then be used to make the annual payment. As the annual bond payment is made in December, the balance in this account at December 31, 2006, was \$0.
- 2) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$3,535 until such time as the aggregate reserve equals \$254,500. This Reserve Account shall be used to fund the sewer revenue bond redemption fund in the event it is in a deficit position. The balance in this account at December 31, 2006, was \$212,100.
- 3) Beginning January 10, 2002, and on or before the 10th day of each subsequent month, the District is required to reserve \$1,767 until such time as the aggregate reserve equals \$127,250. This Emergency Repair and Replacement Account shall be used to make such emergency repairs of, or replacements to, the system to ensure its continued operation. The balance in this account at December 31, 2006, was \$106,020.

**NOTE 6 - RETIREMENT BENEFITS**

**Plan Description**

The Central Weber Sewer Improvement District (District) contributes to the Local Governmental Contributory Retirement System (Contributory system) and Local Governmental Noncontributory Retirement System (Noncontributory System), all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issued a publicly available financial report that includes basic financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

**Funding Policy**

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. For the period January 2006 - December 2006, this was 6.0% of their annual covered salary that was paid to the Contributory System. The Central Weber Sewer Improvement District is required to contribute a percent of covered salary to the respective systems. For the period of January 2006 - June 2006, this was 7.08% to the Contributory and 11.09% to the Noncontributory Systems. For the period of July 2006 - December 2006, this was 7.58% to the Contributory and 11.59% to the Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

CENTRAL WEBER SEWER IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006

**NOTE 6 - RETIREMENT BENEFITS (CONTINUED)**

The District's contributions to the Contributory Retirement System for December 31, 2006, 2005, and 2004, were \$4,850, \$4,568, and \$4,083, respectively. The District's contributions to the Noncontributory Retirement System for December 31, 2006, 2005 and 2004, were \$143,160, \$135,333, and \$124,066, respectively. The District's contributions to the 401(K) plan for December 31, 2006, 2005 and 2004, were \$70,248, \$66,959, and \$64,047, respectively. The contributions were equal to the required contributions for each year.

**NOTE 7 - RISK MANAGEMENT**

Central Weber Sewer Improvement District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**NOTE 8 - LEGAL COMPLIANCE BUDGETS**

The budget for the fiscal year ending December 31, 2006, was approved and adopted by resolution or ordinance dated December 19, 2005. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 19, 2005. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

**NOTE 9 - POST-EMPLOYMENT BENEFITS**

The District does not provide any post-employment benefits.

**NOTE 10 - PROPERTY TAX CALENDAR**

Lien date	Jan. 1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	Jun. 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before Jun. 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	Jun. 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

Central Weber Sewer Improvement District

Schedule of Impact Fees

For the Year Ended December 31, 2006

	Balance
Impact Fee Reserves December 31, 2005	\$ -
Activity During 2006:	
Impact Fees Collected	798,318.00
Design - Activated Sludge Plant	(802,580.95)
Impact Fee Reserves December 31, 2006	\$ -

**INDEPENDENT AUDITOR'S REPORT**  
**STATE OF UTAH LEGAL COMPLIANCE**

To the Board of Trustees  
Central Weber Sewer District

We have audited the accompanying financial statements of the business-type activities of Central Weber Sewer District, for the year ended December 31, 2006 and have issued our report thereon dated June 5, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation & Property Tax Limitations
Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Issues
Impact Fees	General Compliance Special Districts

The District did not receive any major or non-major State grants during the year ended December 31, 2006.

The management of Central Weber Sewer District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, Central Weber Sewer District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

*Wood Richards & Associates*  
June 5, 2007.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Central Weber Sewer District

We have audited the financial statements of Central Weber Sewer District of and for the year ended December 31, 2006, and have issued our report thereon dated June 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Central Weber Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Weber Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Weber Sewer District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

June 5, 2007

Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Weber Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Ward, Richards & Associates*

Ogden, UT

June 5, 2007

**CENTRAL WEBER SEWER DISTRICT  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2006**

**Finding #1:** Through an evaluation of the internal controls over financial reporting it was determined that a control deficiency exists within the control policies and procedures of Central Weber Sewer District. This control deficiency is deemed to be a significant deficiency. The deficiency is caused by a lack of separation of duties and/or lack of monitoring in the purchasing and accounts payable as the same individual who prepares the checks and inputs the invoices also prepares the bank reconciliation. The bank statements and cancelled checks are not reviewed.

**Recommendation:** We recommend the District assign another individual to open the bank statement and review the statement along with the cancelled checks and sign off on the statement every month.

We also recommend the check signer(s) always verify the numerical sequence of the checks presented to them to sign. Inquiries should be made of any missing checks. Voided checks should be presented to the signers.

**Response:** Management agrees with the deficiency and will have an individual begin to review the bank statement and cancelled checks and sign off on the bank statement before they are delivered to the individual who prepares the bank reconciliation.